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ABSTRACT

In 1995, the Missouri Legislature adopted Senate Bill 301, which directs the Health and Educational Facilities Authority of the State of Missouri to assist school districts in the issuance of general obligation bonds. The law charges the Authority with developing guidelines for and administering two voluntary methods relating to the issuance of general obligation bonds by Missouri school districts (the Program). The Program should provide credit enhancement and help achieve the lowest possible borrowing costs and other favorable borrowing terms for Missouri school districts in need of educational facilities. This report presents: program considerations (basic program requirements and program credit considerations); certain considerations only as to pool financings; and certain considerations only as to conventional bond financings. The law requires that the Authority review the cost effectiveness of the Program and report to the Missouri General Assembly on the Program with recommendations as to the legislation by August 15 of each year. Four attachments include: the application for involvement in the Authority Program regarding the issuance of school district bonds; a direct deposit agreement; an operations procedures memorandum; and a termination of direct deposit agreement. (SM)

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TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

Dated July 12, 2002

GUIDELINES FOR PROGRAM FOR THE ISSUANCE OF GENERAL OBLIGATION BONDS BY MISSOURI SCHOOL DISTRICTS

I. BACKGROUND AND GOALS

In 1995 the Missouri Legislature adopted Senate Bill No. 301 (the "Law") creating Sections 360.106 and 360.111 to 360.118 of the Revised Statutes of Missouri. The Law directs the Health and Educational Facilities Authority of the State of Missouri (the "Authority") to assist Missouri school districts in the issuance of general obligation bonds. The Law charges the Authority, among other things, with developing Guidelines for, and the administration of, two voluntary methods relating to the issuance of general obligation bonds by Missouri school districts (the "Program"). The Program should provide credit enhancement and help achieve the lowest possible borrowing costs and other favorable borrowing terms for Missouri school districts in need of educational facilities.

The two voluntary methods provided for pursuant to the Program can be described as follows: (1) general obligation bonds may be issued on the conventional basis by individual school districts with the Authority serving as an administrator for access to the benefits of the Program (the "Conventional Bonds"); or (2) the Authority may issue bonds to the public, typically as part of a pool financing, using the proceeds of the sale of the Authority's bonds to purchase the bonds of individual participating school districts (the "Pool"). Both methods will receive equal attention and treatment by the Authority. An individual school district electing to participate in the Program can choose between the issuance of Conventional Bonds or the Pool.

School districts are not required to be involved in the Program but there are two incentives added by the Legislature to encourage such involvement. First, in an effort to improve the credit quality of all school districts in Missouri, the Law provides for credit enhancement by the direct deposit by the State of Missouri to a bank serving as trustee (the "Direct Deposit Trustee") of a portion of state aid payments that would otherwise be paid directly to the involved school district. The direct deposit would be equal to debt service on the school district bonds. This procedure is expected to result in a credit rating on the school district bonds based to a large extent on the credit quality of the State. Given the State's high credit rating, this should make school districts among the highest rated bond issuers. Second, to assist the school districts with the cost of educational facilities, the Program provides for grants from annual State appropriations for the payment of certain bond issuance costs.

II. PROGRAM CONSIDERATIONS

A) Basic Program Requirements.

1. Application Form. Any school district interested in becoming involved in the Program must complete the form of Application attached hereto as Exhibit A (the "Application") and submit the same to the Authority and to the applicable rating agency. The Program is not open for involvement by junior college districts or entities other than Missouri school districts.

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Full text available at:
http://dese.mo.gov/divadm/govern/ddp.pdf

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2. General Obligation Bonds. The bonds issued by the school districts pursuant to the Program must all be general obligation bonds of the school districts. Such general obligation bonds must comply with all requirements of Missouri law applicable to such obligations including registration with the State Auditor if appropriate. Obligations of school districts other than general obligation bonds such as revenue bonds, leasehold bonds, certificates of participation and tax or revenue anticipation note are not eligible for inclusion in the Program.

3. New Money Or Refunding Bonds. The general obligation bonds of the school district may either be "new money" or "refunding" bonds. Any refunding or refinancing of existing bonds of the school districts must have significant net present value savings apart from the savings attributable to a payment from the State for the costs of issuance (i.e. savings will be determined assuming the school district will have to pay the costs of issuance itself). The calculation of the savings shall be reviewed for reasonableness. Reasons other than present value savings for a refunding or refinancing will be considered but, pursuant to the Law, there must at least be net present value savings of 1½% of the par amount of the refunded bonds for there to be a grant for costs of issuance as described below. The All Inclusive Cost (AIC) method should be utilized for the purpose of determining the discount rate to use to calculate net present value savings. AIC as used herein means as follows: that semiannual discount rate which equates future payments relating to the bonds including principal, interest, and associated costs of issuance expenses, to the net issue proceeds; accrued interest is included. The term "True Interest Cost" as used on Schedule D to the Application means that semiannual discount rate which equates the principal and interest payments on the bonds to the purchase price paid by the underwriter to the issuer; it does not reflect costs of issuance or accrued interest.

School districts involved with refunding of existing bonds may participate in the Program even without a net present value savings of 1½% of the par amount of the refunded bonds (but shall not receive a grant for costs of issuance) as long as Bond Counsel provides a satisfactory legal opinion addressed to the Authority that this is permitted pursuant to applicable law.

4. Intercept-Direct Deposit Arrangements. The Program provides for credit enhancement by an assured source of payment on the bonds (i.e. state aid payments). The bond documents will provide for school districts to agree to the direct deposit of a portion of monthly state aid payments (i.e. first dollar of state aid payments) to the Direct Deposit Trustee who will in turn remit to each appropriate paying agent the required principal and interest payments at the required times. This procedure should result in credit quality that is to a large extent tied to the State's ability to pay and in a high investment grade rating for bonds of school districts in the Program. Each school district will be required to enter into a Direct Deposit Agreement, in substantially the form of that attached hereto as Exhibit B (the "Direct Deposit Agreement"), at the time of issuance of its bonds as a precondition to involvement in the Program. If the bonds which are the subject of a Direct Deposit Agreement refund all or part of bonds already in the Program, there should be executed contemporaneously with said Direct Deposit Agreement, a Termination or Amendment of the Direct Deposit Agreement for the prior bonds being refunded changing the amount of state aid withheld pursuant to Exhibit B thereof. The Termination Agreement must be in substantially the form of that attached hereto as Exhibit D.

If an Amendment, such Amendment shall expressly provide that the new Schedules A and B to the Amendment replace Schedules A and B to the original Agreement.

5. Payment Of Costs Of Issuance. Any school district which has a Direct Deposit Agreement in place on the date of issuance of its bonds will be eligible to receive a one-time grant of moneys to be applied to the payment of certain costs of issuance with respect to the issuance of the bonds (but with certain limits as to the Conventional Bonds as described below). The costs will be reviewed by the Authority to determine that they are fair and reasonable. Pursuant to the Law such costs may be paid only as to bonds issued for the purpose of financing construction or renovation projects approved by voters after January 1, 1995 or refinancing construction or renovation projects or for refinancing of lease purchase obligations with general obligation bonds.

Pursuant to the Law, as interpreted by the Missouri Attorney General in its Opinion No. 188-96, (a) payments of grants to school districts for costs of issuance should be paid after the end of each state fiscal year, (b) if there is inadequate funding to pay all costs of issuance authorized for all new money bonds in a fiscal year, grants for costs of issuance are to be distributed proportionately among school districts for new money bonds, (c) if there are adequate funds to pay all grants authorized for new money bonds in a fiscal year, the remaining funds should be used to pay grants authorized for refunding bonds, and (d) grants authorized in a prior year which were not paid, in whole or in part, because of inadequate funds are not to be paid from funds available in a subsequent year.

The costs of issuance which can be paid by a grant must fall into one of the following categories and no other costs will be permitted to be covered by a grant:

Underwriter's Discount
Bond Counsel Fees
Bond Printing
Printing Official Statements
Rating Agency (see below)
Paying Agent/Registrar/Escrow Agent (see below)
Financial Advisor
Disclosure/Underwriter's Counsel
School District Counsel
State Auditor's Fee
Verification Report (Refunding)

The cost of a Paying Agent/Registrar/Escrow Agent shall be reimbursed as a "cost of issuance" only to the extent that it falls in a range of $250-$500.

The following costs will not be paid out of a grant for costs of issuance:

(a) The cost of a credit rating from a second rating agency (only the Program Rating, presently from Standard & Poor's, paid by the Authority will be paid).

(b) The cost of an underlying / shadow credit rating for the school district.

(c) The cost of the bond election (e.g. ballot printing, publication, etc.).

(d) The cost of any "derivative" instrument such as to "lock" in interest rates.

(e) The cost of credit enhancement such as bond insurance.

(f) The cost of a "consent" of accountant / auditor for inclusion of financial statements in an official statement or related work relative to the official statement.

Payment of cost of issuance in the case of Conventional Bonds shall be by the issuance of a single check to the applicable school district upon authorization by the commissioner of education and a certification by the school district pursuant to the Law.

New money bonds issued for the purpose of financing construction or renovation projects approved by voters prior to January 1, 1995 may participate in the Program but shall not be entitled to a grant for the payment of costs of issuance.

The following additional rules shall apply as to payment of costs of issuance from a grant whenever a bond issue includes a refunding:

(a) If a bond issue consists of both new money bonds and refunding bonds the costs of issuance eligible for reimbursement as attributable to the new money bonds portion shall bear the same percentage relation to the total costs of issuance as the percentage of principal amount of bonds in the bond issue attributable to new money bears to the total principal amount of the bond issue. For example, in a $10 million principal amount bond issue in which $7 million of the principal amount of bonds is used to finance new projects and the other $3 million of the principal amount of bonds is used to refund prior obligations, 70% of the qualified costs of issuance of the total bond issue will be allocated to the new money issue.

(b) School districts involved with refunding of existing bonds may participate in the Program even without a net present value savings of 1½% of the par amount of the refunded bonds (but shall not receive a grant for costs of issuance) as long as Bond Counsel provides a satisfactory legal opinion addressed to the Authority that such participation is permitted pursuant to applicable law.

(c) When a school district is refunding multiple bond issues at once in which the aggregate savings meets the 1½% net present value savings rule, all of said issues are eligible for the grant for costs of issuance as long as Bond Counsel provides a satisfactory legal opinion addressed to the Authority that such bond issues are permitted in such case pursuant to applicable law.

6. Coordinate Closing With Direct Deposit Arrangements. All bonds in the Program, both Conventional Bonds and Pool Bonds, shall be closed on a date necessary to accommodate direct deposit arrangements with the payment schedule on the bonds consistent with the timing demands of the Program and satisfactory to the applicable rating agencies.

The Direct Deposit Agreement shall not provide for the direct deposit of state aid payments: (a) in the month of issuance of the bonds; or (b) if the bond issue is closed later than

the 25th day of a month, in the month following the issuance of the bonds (e.g. if a bond issuance is closed on a March 26 there shall be no state aid payments withheld prior to May of that year).

No debt service payments on school district bonds will be payable in the months of June, July and August of any year. This requirement may be waived, on a case by case basis, by any applicable rating agency.

7. Coordinate With State Departments. The Authority shall work with the Missouri Department of Elementary and Secondary Education ("DESE"), the office of Administration and the Treasurer's Office to coordinate the Program and the direct deposit of state aid payments in the best interest of Missouri school districts. The Authority will use its best effort to coordinate with the aforesaid entities and the rating agencies so that a school district will be advised of its eligibility for involvement in the Program within thirty days of receipt of its Application.

8. Executive Director To Act For Authority. All actions to be taken by the Authority and all communications with the Authority, with respect to the Program, shall be through the Executive Director of the Authority at the Authority's office in Chesterfield, Missouri.

9. Direct Deposit Trustee. The Authority will select a Direct Deposit Trustee. It will be a Missouri institution having corporate trust powers. The institution could also serve as paying agent as to Conventional Bonds and/or bond trustee as to a Pool. The charges of such trustee can be paid out of amounts annually appropriated by the State and will not apply against the two percent limit applicable to Conventional Bonds.

10. Authority Charges. As permitted by the Law, the Authority will charge an annual or other periodic fee as an administrative cost for work by it on the Program and may employ attorneys and advisors as to the Program. These charges and costs will be paid out of amounts annually appropriated by the State. These charges and costs will not apply against the two percent limit applicable to Conventional Bonds. The Authority will not charge an issuing school district a fee or any other amounts for its assistance relative to the issuance of Conventional Bonds or Pool Bonds.

11. Obligations Binding On School Districts. Section 360.106(12) of the Law requires the Authority to review the cost effectiveness of the Program and provide an annual report to the General Assembly on the Program, the Authority's findings, and a recommendation of whether the Program should be repealed, strengthened or otherwise amended. Any school district bonds issued pursuant to the Program will not, as a general matter, be negatively impacted by subsequent legislative structural changes to the Program (e.g. as opposed to changes in the amount of state aid) because the parties will be bound to make payments on the bonds and as to the pledge of state aid by the Law and documentation in effect at the time of issuance of their bonds.

B) Program Credit Considerations.

1. Program Rating - Rating Agencies. The Authority has and plans to continue to work with one or more of the national credit rating agencies to achieve a "program"

rating for school districts in the Program which meet the minimum credit criteria. The cost of one "program" rating for Conventional Bonds will be treated as part of the administrative costs of operating this Program and will not be charged against the two percent grant amount limit referred to in Section IV (A)(3) of these Guidelines. School districts, or their underwriters/financial advisors, involved in the Program will be required to directly provide (a) the Application and other information to the applicable rating agency at the time of submission of the Application; (b) information needed to actually obtain the rating; and (c) on an annual basis such as an annual audit, budget and other information reasonably requested.

2. Coverage Requirements. To achieve a satisfactory "program" rating, school districts will need to have a minimum level of "coverage" of state aid payments relative to that district's debt service in the Program. The coverage required is that in the fiscal year of issuance, as well as in the two fiscal years prior to the year of issuance, of the school district's bonds, the state aid payments to the involved school district must be at least 1.5 times the maximum annual debt service on the school district's bonds which are the subject of the "program" rating. The coverage calculation does not include debt service on school district obligations which are not the subject of the direct deposit procedure. The requirements of this Section may be waived, on a case by case basis, by any applicable rating agency.

Any bonds which receive a "program" rating shall include a reference to "Missouri Direct Deposit Program" in the name of the bonds and in any Official Statement used with respect to the bonds.

The state aid payments will be pledged by the school districts to cover its debt service. Any pledge by school districts in the Program of their state aid to subsequent non-Program debt or other obligations will not have a prior or parity lien to that of Program debt and shall not be described as Direct Deposit Program Bonds.

3. Rating May Not Be Required. The Authority will not necessarily require that Conventional Bonds or Pool Bonds obtain a "program" rating if the Authority can be persuaded that a rating is not beneficial or justified to obtain a suitable financing for the particular school district. For example, a "program" rating might not be obtained if: (a) a school district does not receive enough state aid to meet the coverage test and thus cannot achieve a "program" rating; (b) a school district can receive an adequate rating based on its own credit strength; or (c) it is clearly not cost justified to obtain a "program" rating such as for a very small privately placed issue. A school district may still participate in the Program and receive a grant for eligible costs of issuance even if it does not receive a "program" rating for the reasons described herein. It is, however, anticipated that a School District's bonds would be rated if they are being issued on a parity with prior bonds that are rated.

3.(a) Subsequent Issues Not To Cause A Reduction of Rating On Prior Program Issues. No bond issue shall be permitted to participate in the Program (and the school district shall not receive a grant for costs of issuance for such bond issue) if such bond issue shall cause a reduction in rating on prior bonds of the school district which received a "program" rating. In such circumstances, new bonds may be permitted to participate in the Program and receive a grant for costs of issuance (though not qualifying for a "program" rating because not meeting the coverage requirement) if the direct deposit pledge of state aid for such new bonds is "subordinated" in the Direct Deposit Agreement for the new bonds to the direct

deposit pledge for the prior bonds which have a "program" rating. Bonds in this category that are to be "subordinated" this shall be noted in the Application for participation in the Program.

4. "Shadow" Rating of Districts. An "underlying" or "shadow" or separate rating of each school district from a rating agency will not be paid out of the Program's grant for costs of issuance and will not be charged against the two percent costs grant amount limit for Conventional Bonds referred to in Section IV(A)(3) of these Guidelines.

5. Monthly Payments From State. Payments from the State to the Direct Deposit Trustee for payment to the appropriate paying agent of the "first dollar" of state aid payments owed to the school district, shall be in approximately ten equal monthly increments of annual debt service beginning in the month of the "bond year" necessary to assure a satisfactory "match" with the debt service schedule on the bonds. In a typical situation with debt service payments every six months after closing on the bonds, the first deposit would be in the month of closing of the bonds. If, however, a short coupon or long coupon arrangement were allowed by the Authority and any applicable rating agencies, the bond year dates for deposited payments may need to be set up differently. Thus, the appropriate deposit formula will be established at the closing of the bonds. There will be no debt service payments on the school district bonds prior to six months from the date of issuance, except when due to unusual circumstances agreed to by the Authority and any applicable rating agencies.

If, for whatever reason, any monthly payment is not made or is not made in full, it shall be made up out of the next payment of state aid with respect to the School District (i.e. if any school district's 1/10 payments to the Direct Deposit Trustee are not on schedule, the next successive monthly payment would be that month's 1/10 payment plus the prior months' shortfall).

6. Credit Enhancement. The cost of credit enhancement, including bond insurance, shall not be paid from a grant for costs of issuance.

7. Contact Rating Agencies. The Authority will, within a reasonable period of time, contact any rating agency which has provided a "program" rating with information regarding any changes in Missouri law affecting state aid, the Law or the school funding formula. The Authority will also annually provide such rating agency with a copy of its report to the General Assembly required pursuant to Section 360.106(12) of the Law at the time it provides a copy to the General Assembly. The Authority will also provide any other information reasonably requested by a rating agency. Any school district receiving a "program" rating will provide information to the rating agencies as to material changes in its state aid and any other information reasonably requested by a rating agency. The Authority will use its best efforts to cause DESE to notify rating agencies as soon as available each year of state aid payments and debt service payments for all districts in the Program for the year completed and budgeted numbers for the upcoming year.

8. Investments. In connection with both Conventional Bonds and the Pool, any state aid payments made to the Direct Deposit Trustee shall be invested by the Direct Deposit Trustee as directed by the Authority until transfer to the individual paying agent/bond trustee. Such transfer shall be at least one day prior to when debt service payments are due on the school district bonds. Investments shall be made through the Direct Deposit Trustee in

order to maximize investment return, assure security and resolve any applicable rating agency concerns. Investments by the Direct Deposit Trustee must be consistent with applicable state law and shall be in investments approved by applicable rating agencies. Earnings on the investments will be paid by the Direct Deposit Trustee to the applicable school district at least once each year.

Further, in connection with both Conventional Bonds and the Pool, bond proceeds will not be held by the Direct Deposit Trustee but will be held for the benefit of the school districts as traditionally held in such transactions. Investments of such funds must be consistent with applicable state law and shall be in investments approved by applicable rating agencies.

III. CERTAIN CONSIDERATIONS ONLY AS TO POOL FINANCINGS

A) Guidelines Unique to Pool Financings.

1. Authority To Issue Periodically. The Authority will issue bonds for the Pool to purchase the bonds of participating school districts as often as the demand dictates to make the Pool economically feasible.

2. No Cross-Collateralization. Obligations of the participating school districts in the Pool shall not be cross-collateralized. No school district's state aid payments shall be used for the proportionate debt service of any other school district. The bond documents will be clear that there shall be no liability of any sort of one school district for another's debt service or other obligations.

3. Program Rating. It is contemplated, though not required, that all bonds issued by the Authority with respect to the Pool will apply for and meet the state aid to debt service coverage and other requirements necessary to obtain the "program" rating. Some of the bonds in the Pool might not obtain a "program" rating and may not be equally rated in the event that: (a) a school district does not receive enough state aid to meet the coverage test; or (b) the school district can obtain an equal or higher rating on its own. The Authority will not enter into a Direct Deposit Agreement on unrated debt if it causes any involved school district's prior Program bonds to fail to meet the above Program coverage requirements, without the consent of the applicable rating agency.

4. Use of Various Service Providers. The Authority contemplates going through a competitive bid process for the selection of the following services in connection with the issuance of the bonds for the Pool over an initial two-year period and annually thereafter.

a) Bond Counsel. The Authority will select a Missouri firm to serve as Bond Counsel as to the Authority bonds following a Request For Proposal process. The Firm will be primarily responsible for preparation of bond documents and structuring the transaction from a legal standpoint.

b) Legal Opinion On School District Bonds. The Authority's Bond Counsel will also be willing to serve as Bond Counsel and provide necessary proceedings, documents, bond resolutions and legal opinions with respect to the individual participating school district's general obligation bonds at no additional charge to the school district. Alternatively, the participating school district may employ a separate bond counsel firm to do this work, but at its own expense.

c) Senior Managing Underwriters. The Authority will develop a list of approved underwriters with a substantial Missouri presence following a Request For Proposal process. Individual participating school districts can request an individual firm on the approved list to serve as Senior Manager on its portion of the pooled bonds and the Authority will consider this request but shall retain final discretion as to the selection of Senior Manager(s). If there is more than one Senior Manager in any Pool, the Authority shall select the bookrunning manager.

d) Co-Managers. The Authority will select Co-Managing underwriters for each issuance of bonds from among the firms on its approved list of underwriters. The Authority will strive to see that the Senior Manager(s) and Co-Managers receive compensation on a fair and equitable basis. The Authority is willing to attempt to set the compensation prior to the commencement of a Pool financing.

e) Underwriters/Disclosure Counsel. The Authority will prepare a Request For Proposal for Underwriters/Disclosure Counsel and the Authority will select a Missouri law firm to serve in that role. The law firm will primarily be responsible for preparing the Official Statement and other underwriting documents in connection with the sale of the bonds.

f) Printers. Any printers needed in connection with the preparation of the Official Statement or the bonds would be selected by the Authority following a Request For Proposal process.

g) Bond Trustee. The Authority will select a Bond Trustee following a Request For Proposal process. This will be a Missouri institution. It could be the same as the Direct Deposit Trustee.

IV. CERTAIN CONSIDERATIONS ONLY AS TO CONVENTIONAL BOND FINANCINGS

A) Guidelines Unique To Conventional Bonds.

1. Authority Not Required To Select Service Providers. In connection with Conventional Bonds, the Authority is not required by the Law to be involved in the selection of service providers such as Bond Counsel, Underwriters/Disclosure Counsel, Underwriters, Printers or Paying Agent/Bond Trustee. The Authority is, however, happy to assist any school district, at no charge, in the selection of any or all of these service providers. It is expected that firms with a substantial Missouri presence will be used for all of these services except in unusual circumstances.

2. Competitive Sale Of School District Bonds. The Authority would require that the successful bidder in any competitive sale of bonds would certify the amount of its underwriter's discount (as well as any original issue discount or other amounts received). The amount of the certified underwriter's discount can be payable out of the costs of issuance moneys appropriated by the State along with other appropriate costs of issuance as described herein (e.g. bond counsel, printing, etc.).

3. Limitation On Payment Of Costs Of Issuance. The Law provides that the maximum amount of grant for payment of costs of issuance for the Conventional Bonds shall be two percent. Of course, all costs may be reviewed by the Authority to determine that they are fair and reasonable.

4. Independent Paying Agent. The paying agent with respect to Conventional Bonds must be a Missouri bank or trust company selected by the school district and cannot simply be the school district itself.

5. Operations Procedures Memorandum. Attached hereto as Exhibit C and incorporated by reference herein is an Operations Procedures Memorandum reflecting certain procedures to be followed in connection with the issuance of Conventional Bonds.

V. CONCLUSION

The Law requires that the Authority review the cost effectiveness of the Program and report to the Missouri General Assembly on the Program with recommendations as to the legislation by August 15 of each year.

The Authority reserves the right to review and modify these Guidelines as needed in the sole discretion of the Authority to effectuate the purposes and goals of the Law.

EXHIBIT A TO GUIDELINES

[MASTER FORM – Dated July 12, 2002]

APPLICATION FOR INVOLVEMENT IN THE AUTHORITY
PROGRAM REGARDING THE ISSUANCE OF SCHOOL DISTRICT BONDS

The Health and Educational Facilities Authority of the State of Missouri (the "Authority") is the Administrator of a Direct Deposit Program (the "Program") with respect to the issuance of general obligation bonds of Missouri School Districts. The Program involves the direct deposit of certain state aid payments made by the State of Missouri to an Authority designated trustee for payment of bond indebtedness and the possible payment of certain costs of issuance in connection with the bonds pursuant to a Direct Deposit Agreement among the parties. The Authority has prepared certain Guidelines with respect to the Program. By execution and submission of this Application the undersigned School District agrees to abide by the terms of such Guidelines and such policies of the Authority as shall be in effect from time to time. Four copies of this Application are to be provided to the Authority by the applicant. One copy of this Application is to be provided directly to the rating agency by the undersigned School District or its underwriter/financial advisor. Note that the Direct Deposit Agreement must be signed by all parties thereto by the date of issuance of the bonds for the School District to participate in the Program.

1. Legal Name of School District: _____
   DESE's School District Directory Name of School District (if different): _____
   DESE's County District Code for the District: _____

2. School District Address: _____
   _____

3. School District Contact Person: _____
   Title: _____
   Phone: _____
   Fax: _____

4. Bond Issue Amount (estimated): _____

5. New Money Issue? Refunding? Both? _____

If refunding, provide as to bonds to be refunded the original date of issuance and original principal amount.

Original Issuance Date(s): _____

Original Principal Amount(s): _____

If a new money issue on what date were the bonds approved by the voters? _____

Estimated Principal Amount for Financing:

New Money: $_____
Refunding: $_____

6. Has the School District determined whether to issue on a competitive or negotiated underwriting basis and, if so, in which manner? _____

7. Date Bonds to be closed (estimated): _____

8. Estimated Costs of Issuance for bond issue and breakdown by item (if any and if known). Costs which do not clearly fall into one of the following categories will not be reimbursed by a grant pursuant to the Program. Costs which are not reasonable in amount in the judgment of the Authority will also not be reimbursed.

Underwriter's Discount	_____
Bond Counsel Fees	_____
Bond Printing	_____
Printing Official Statements	_____
Rating Agency	_____
Paying Agent/Registrar/Escrow Agent	_____
Disclosure/Underwriter's Counsel	_____
Financial Advisor	_____
School District Counsel	_____
State Auditor's Fee	_____
Verification Report (Refunding)	_____
Total	_____

9. Has the School District selected or does it have a preferred underwriter or financial advisor for its bonds and, if so, whom:

Company: _____
Name and Phone No. of Individual at Company: _____

10. Has the School District selected or does it have a preferred law firm to serve as Bond Counsel and, if so, which firm?_____
Name and Phone No. of individual at firm:_____

11. Copies of each of the following supplemental information as to the School District are to be provided directly to the rating agency by the School District or its underwriter/financial advisor along with this Application:

a) Copies of financial statements for the three most recent fiscal years.

b) Description of all state aid payments by category received from the State of Missouri for the last three years, the applicable lowest amount that the School District can receive pursuant to state law (e.g. 1992-1993 level) and any available projections of future state aid payments.

c) Describe any other existing debt of the School District.

d) Describe any litigation or investigations, current or threatened, involving the School District.

e) Provide assessed valuation and tax levies for three most recent years.

12. Provide one copy of materials with respect to election and voter approval with respect to the bonds including order calling special election, notice of election, order declaring results of the election and election authority's certificate. This must be provided to the Authority's counsel only.

13. Please check here if you are not seeking a Program rating from Standard & Poor's because the bond issue cannot meet the coverage test of 1.5 times the maximum annual debt service on all school district bonds and the pledge of state aid will be subordinate to that for bonds previously in the Program.

Not seeking a Program rating: _____.

The undersigned certifies on behalf of the School District described herein that to the best of my knowledge the information contained in this Application and the accompanying supplemental materials is true and correct.

_____ _____

By (Print Name) Signature

_____ _____

Title Date

EXHIBIT B TO GUIDELINES

[MASTER FORM - Dated July 12, 2002]

[NOTE: The Authority shall not be expected to execute this Agreement until it has in its possession a fully completed Agreement with all schedules attached and other information in its possession for five business days.]

[NOTE: This Agreement must be executed by all parties hereto by the date of issuance of the bonds as a precondition to participation in the Program.]

[NOTE: If the bonds which are the subject of this Agreement refund all or any part of bonds already in the Program, a Termination or Amendment of the prior Direct Deposit Agreement changing the amount of state aid withheld pursuant to Schedule B thereof must be executed contemporaneously herewith. If an Amendment, such Amendment shall expressly provide that the new Schedules A and B to the Amendment replace Schedules A and B to the original Agreement.]

DIRECT DEPOSIT AGREEMENT

THIS DIRECT DEPOSIT AGREEMENT executed as of this _____ day of _____, 200__, by and among the OFFICE OF THE TREASURER OF THE STATE OF MISSOURI (the "Treasurer"), the DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION OF THE STATE OF MISSOURI ("DESE"), the HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI (the "Authority"), COMMERCE BANK, NATIONAL ASSOCIATION (the "Direct Deposit Trustee") and [Insert: (a) legal name of District; (b) DESE's School District Directory Name for the District (if different); and (c) DESE's County District Code for the District] _____, MISSOURI (the "School District"),

WITNESSETH

WHEREAS, pursuant to Chapter 360, R.S.Mo., and specifically Sections 360.106 and 360.111 R.S.Mo. (the "Act"), the Authority has developed a Program, and Guidelines dated July 12, 2002 (the "Guidelines") with respect thereto, involving the direct deposit of state aid payments and distributions pursuant to Sections 163.011 to 163.195, R.S.Mo. and the distributions from the fair share fund pursuant to Section 149.015, R.S.Mo., (collectively, "State Aid"), by the Treasurer to cover the debt service on general obligation bonds issued by Missouri school districts and the payment of certain costs of issuance with respect to such bonds (the "Program"); and

WHEREAS, contemporaneously herewith the School District is issuing $_____ General Obligation _____ Bonds Series 200__ (Missouri Direct Deposit Program) (the "Bonds") and it desires to participate in the Program with respect thereto;

[If a refunding, add the following paragraph.]

WHEREAS, proceeds of the Bonds will be used to refund a prior financing (the "Prior Bonds") of the School District, which Prior Bonds __are / are not__ in the Program;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the parties hereto hereby agree as follows:

Section 1. School District Representations and Warranties. The School District hereby represents and warrants that (a) it has received and reviewed a copy of the Act and the Guidelines and (b) that contemporaneously herewith it has issued the Bonds with principal and interest payments in such amounts and on such dates and with such other terms described on Schedule A hereto.

Section 2. Direct Deposit of State Aid. The School District hereby elects to participate in the Program and to abide by the Act and the Guidelines and hereby irrevocably directs DESE to cause the Treasurer to transfer to the Direct Deposit Trustee, out of the first dollars of State Aid payments otherwise determined by DESE to be payable to the School District, the amounts of State Aid listed on Schedule B hereto in the months listed on Schedule B hereto. The School District represents that the payments of State Aid listed on Schedule B hereto will be adequate to pay the principal and interest payments on the Bonds when due. The amounts listed on Schedule B shall provide for payment of one-_____ (1/__) of the debt service to be paid on _____, 200__ in each of the _____ preceding months (i.e. payments in _____, 200__ through _____, 200__) and one-tenth (1/10) of annual debt service in the next bond year to be paid in each of the next ten (10) months (i.e. payments in _____, 200__ through _____, 200__) and each succeeding ten similar months (i.e. _____ through _____) for each bond year after the Bonds are issued. If, for whatever reason, any monthly payment is not made or is not made in full it shall be made up out of the next payment of State Aid with respect to the School District. If, for whatever reason, a payment or payments of State Aid money is not made pursuant hereto, the School District remains fully liable to make its payments on the Bonds.

Any amounts held by the Direct Deposit Trustee in excess of the amounts required to be held by the Direct Deposit Trustee hereunder at any given time may be returned by the Direct Deposit Trustee to the School District without further authorization by any party hereto. Further, to the extent not needed to cover a shortfall in amounts to be held by the Direct Deposit Trustee hereunder, any interest earned on the amounts held by the Direct Deposit Trustee until payment to the paying agent/bond trustee shall be paid by the Direct Deposit Trustee to the School District at least once each year.

The parties hereto understand and agree that the amount of the School District's State Aid for future years has not been determined and the execution hereof by the parties hereto is not a representation or agreement on the part of any party that the amount of such State Aid will equal that listed on Schedule B or be in any other amount.

The Direct Deposit Trustee is hereby directed to make payments to the paying agent/bond trustee for the Bonds listed on Schedule A in immediately available funds no later than the day prior to the dates set for payment of principal or interest on the Bonds, provided, however, that such payments shall be limited to State Aid payments actually deposited by the Treasurer with the Direct Deposit Trustee with respect to the School District for the Bonds. The

Direct Deposit Trustee shall not be obligated to advance funds from any other source or from funds deposited with respect to any other school district. The Direct Deposit Trustee shall not be obligated to advance its own funds in connection with any bond payments of the Bonds.

If on the day prior to the dates set for payment of principal or interest the amount deposited by the Treasurer with respect to the School District is less than the amounts listed on Schedule B, the Direct Deposit Trustee shall notify the School District, the paying agent/bond trustee and the Treasurer of such deficiency by telephone or facsimile.

The School District hereby agrees that the foregoing State Aid payments directed to be paid to the Direct Deposit Trustee are hereby irrevocably pledged to payment of the Bonds whether in the hands of the Treasurer, the Direct Deposit Trustee or the paying agent/bond trustee for the Bonds listed on Schedule A hereto.

The foregoing irrevocable direction and pledge by the School District shall remain in place until the Bonds are paid in full.

[Add the following Section if the pledge of State Aid is to be subordinate to the pledge for prior Program bonds.]

Section __. Subordination of Pledge of State Aid. Notwithstanding any provision in this Agreement or the Bonds to the contrary, the foregoing pledge of State Aid payments shall be subordinate in all respects to the pledge of State Aid payments with respect to, and the payment of principal of and interest on, the following series of bonds of the District, to wit: General Obligation Bonds, Series _____, dated _____, originally issued in the principal amount of $_____ (the "Prior Bonds"). In connection therewith, and not in limitation thereof, no payments shall be made on the Bonds out of State Aid payments in any Bond Year until all payments owed on the Prior Bonds have been made.

Section 3. Duties of the Direct Deposit Trustee. The duties of the Direct Deposit Trustee shall be limited to those specifically provided in this Agreement and are ministerial in nature and not discretionary. The Direct Deposit Trustee may rely and act upon signatures and documents which is reasonably believes to be genuine and shall not be liable on account of the identity, authority or rights of persons executing, delivering or purporting to execute or deliver any document, instruction or other item. The Direct Deposit Trustee shall not be liable for any mistake of fact or error in judgment, or for any act or failure to act taken in good faith and believed by it to be authorized or within the rights and powers conferred by this Agreement, unless there be shown gross negligence or willful misconduct.

Section 4. Waiver. Pursuant to the Act, the School District hereby waives all powers, rights and privileges conferred upon it to institute any action authorized by any act of the Congress of the United States relating to bankruptcy on the part of the School District.

Section 5. Costs of Issuance. The School District hereby represents and warrants that (a) attached hereto as Schedule C is a list of costs of issuance in connection with the issuance of the Bonds known on the date hereof, (b) it will provide a list of any additional costs within thirty (30) days hereof and hereby requests payment of the same pursuant to the terms and at the times provided for in the Guidelines, (c) the funds received will be used for costs

relating to projects approved under and satisfying the qualifications and requirements of Section 360.111(3) of the Act, and (d) submitted herewith is a copy of the closing legal opinion with respect to the Bonds.

Section 6. Trustee Successors and Assigns; Charges. The obligations and the rights of the Direct Deposit Trustee shall accrue to its successors and assigns appointed by the Authority. It is contemplated that the Authority will pay the charges of the Direct Deposit Trustee for services pursuant hereto out of funds that the Authority receives each year from the State of Missouri for the Program but, to the extent not so paid such charges shall be the obligation of the School District and may be charged annually against the investment earnings on amounts held by the Direct Deposit Trustee attributable to the School District.

[If a refunding, add the following paragraph.]

Section 7. Refunding. The School District represents that the refunding by the School District pursuant to the Bonds shall result in a net present value savings of at least one and one-half percent of the par amount of the refunded bonds. The School District understands that with respect to the reimbursement of its costs of issuance described in paragraph 5 hereof, the Act gives a priority to bonds for new projects and, to the extent the Bonds are for refunding, no funds will be provided until it is clear that such funds will not be needed for the bonds for new projects pursuant to the Program.

Section 8. Financial Certificate. The School District represents that attached hereto as Schedule D is the Certificate of the underwriter, financial advisor or purchaser with respect to the Bonds.

Section 9. Severability. In the event that any provision of this Agreement shall be held invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions of this Agreement.

Section 10. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above stated.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION OF THE STATE OF MISSOURI

By_____

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI

By_____

COMMERCE BANK, NATIONAL ASSOCIATION

[SCHOOL DISTRICT]_____

By_____

By_____

OFFICE OF THE TREASURER OF THE STATE OF MISSOURI

By_____

Add:

Schedule A - Details of Bonds (Dates and amounts of principal and interest payments on the Bonds; Total Interest Cost; name of paying agent and its ABA number and account number)

Schedule B - Details of State Aid to be deposited (List of amount of state aid to be paid to the Direct Deposit Trustee, and the month in which it is to be paid for the complete term of the Bonds). Amounts to be withheld each month should not be listed in cents but should be rounded up to the next higher dollar.

Schedule C - Costs of Issuance

Schedule D - Underwriter's/Financial Advisor's/Purchaser's Certificate (form of Schedule D is attached). If a refunding, the calculation in reasonable detail of the net present value savings must be provided as Attachment 2 to Schedule D.

SCHEDULE D TO DIRECT DEPOSIT AGREEMENT

UNDERWRITER'S / FINANCIAL ADVISOR'S / PURCHASER'S CERTIFICATE
MISSOURI SCHOOL DISTRICT DIRECT DEPOSIT PROGRAM

The undersigned entity which has served as underwriter, financial advisor or purchaser with respect to the bond issue described below (the "Bonds") represents, warrants and agrees as follows:

1. It has received and reviewed a copy of the Guidelines dated July 12, 2002 of the Authority with respect to the Missouri School District Direct Deposit Program.

2. It has reviewed a fully executed copy of the Direct Deposit Agreement (with Schedules attached) entered into with respect to the Bonds and believes the representations, warranties and other information contained therein to be true and correct.

3. It believes that the costs of issuance described in the Direct Deposit Agreement are appropriate and reasonable in connection with the issuance of the Bonds.

4. The underwriter's discount or any amounts paid to the underwriter or bond purchaser did not "buy down" the interest rate on the Bonds.

5. Set forth below is the date of pricing of the Bonds.

6. [If a refunding bond issue - add following:] There is a net present value savings of ___%, which is at least 1½ % of the par amount of the refunded bonds pursuant to the All Inclusive Cost method as described in Section II(A)(3) of the Guidelines. Attached hereto as Attachment 2 to Schedule D is the calculation of net present value savings of ___% (which actual percentage must appear on the attachment).

Name of Bonds: _____
_____

True Interest Cost _____%. Attached hereto as Attachment 1 to Schedule D is a calculation of TIC as defined in Section II (A) (3) of the Guidelines.

Date of Pricing of Bonds: _____, 200__

Underlying credit rating of School District: [If none, state: None.] _____

Name of Underwriter/F. A./Purchaser: _____

Attached hereto is a copy of the cover page(s) from the Official Statement (including inside cover if appropriate) with respect to the Bonds which disclose(s) the pricing, yield, premium, amortization and any other related data on the Bonds.

By:_____
Its:_____
Dated:_____

EXHIBIT C TO GUIDELINES

Dated - July 12, 2002

Operations Procedures Memorandum -
Missouri School District Direct Deposit Program

1. Bond Documentation. Enclosed are sample provisions for the Official Statement and Bond Resolution. The exact provisions are not required and, obviously, the Authority is not responsible for disclosure. It is required that the school districts bonds reference the "Missouri Direct Deposit Program" in the name of the Bonds and in any Official Statement used in connection with the sale of the Bonds.

2. Rating Agency - When a rating is sought for the bonds, the underwriter/financial advisor for the bond issue (rather than the Authority or the Authority's Financial Advisor) is responsible for determining that the bond issue is in compliance with the Authority's Program Guidelines and, after the underwriter/financial advisor has sent the Application to the rating agency, underwriter/financial advisor is responsible for interacting with the rating agency and receiving reasonable assurance that the anticipated rating for the bonds will be obtained.

A copy of rating letters should be provided by the underwriter/financial advisor to the Authority.

3. Direct Deposit Agreement. - Bond Counsel is to prepare the Direct Deposit Agreement and distribute it in draft form (with Schedules attached) to the Authority, the Authority's General Counsel, the Direct Deposit Trustee, the School District, the rating agency, the Treasurer's Office and DESE immediately after completion of pricing of the bonds. The Schedules to the Agreement should include debt service schedule, monthly state aid amounts, breakdown of costs of issuance and underwriter's certificate.

After receiving comments on the draft, Bond Counsel is to prepare the Agreement in final form (with Schedules attached) and submit execution copies to the five signatories. Bond Counsel is responsible for seeing that the Agreement is fully executed and completed at closing. The Authority requests that it not be requested to execute the Agreement until it has in its possession a fully completed Agreement with all schedules and other information in its possession for five business days. The Treasurer's Office will execute the Agreement after it has received faxed copies of all the other signatures. If Bond Counsel desires that any documents or pages be sent for "overnight delivery" by any other party, Bond Counsel should supply its billing account number so that it can be charged.

4. Agreement At Closing. Bond Counsel is responsible for the Direct Deposit Agreement being executed and available no later than the date of issuance of the Bonds. Following full execution, Bond Counsel should see that all signatories and rating agency received an original executed copy of the Agreement.

5. Bond Counsel Opinion. Bond Counsel should provide a copy of its opinion with respect to the Bonds to the Authority and DESE on the date of closing of the bond issue.

Dated - July 12, 2002

OFFICIAL STATEMENT DESCRIPTION OF DIRECT DEPOSIT PROGRAM

Security for the Bonds - Direct Deposit of State Aid Payments.

Pursuant to Section 360.111 et seq of the Revised Statutes of Missouri and related statutes (the "Deposit Law"), the State of Missouri (the "State") and the School District may agree to transfer to a Missouri bank, as direct deposit trustee (the "Deposit Trustee"), a portion of the School District's State aid payments and distributions normally used for operational purposes ("State Aid") in order to provide for payment of debt service on the Bonds. On the date of issuance of the Bonds, the School District will enter into a Direct Deposit Agreement (the "Deposit Agreement") with the Office of the Treasurer of the State of Missouri ("Treasurer's Office"), the Department of Elementary and Secondary Education of the State of Missouri ("DESE"), the Health and Educational Facilities Authority of the State of Missouri (the "Authority") and the Deposit Trustee. Under the Deposit Agreement, the School District will pledge its State Aid, except for State Aid for Gifted and Exceptional Pupils and Remedial Reading, to the payment of the Bonds. The Deposit Agreement will provide that during each of the _____ [specify fraction of debt service paid and during which months] _____ of debt service on the bonds during that bond year will be deposited with the Deposit Trustee. Amounts of State Aid to the School District in excess of the one-tenth (1/10th) monthly deposit will not be deposited with the Deposit Trustee but will be transferred directly to the School District as has historically been the case with all State Aid.

Each month, pursuant to the terms of the Deposit Agreement, DESE will advise the Treasurer's Office of the amount of the School District's State Aid to be deposited with the Deposit Trustee for the purpose of paying the Bonds, as specified in the Deposit Agreement. If there is a shortfall in a monthly payment, it is to be made up in the succeeding monthly payment of State Aid. Following receipt of the deposits, the Deposit Trustee will invest the amounts for the benefit of the School District in permitted investments described under the caption _____. The Deposit Trustee will transfer to the Paying Agent the amount necessary for payment of debt service on the Bonds not later than three business days prior to each payment date with respect to the Bonds. The School District remains obligated to provide funds to the Paying Agent for debt service on the Bonds if the amounts of State Aid transferred are not sufficient to pay the Bonds when due.

Nothing in the Deposit Law or the Deposit Agreement relieves the School District of its obligation to make payments of principal and interest on the Bonds, or to impose any debt service levy or capital projects levy sufficient to retire the Bonds. Moneys of the School District which would otherwise be used to pay the Bonds on each payment date may be transferred to the School District's operational funds to replace State Aid funds used to pay the Bonds. The State has not committed pursuant to the Deposit Law, the Deposit Agreement or otherwise to maintain any particular level of State Aid on behalf of the School District, and the State is not obligated in any manner, contractually or morally, to make payments of debt service on the Bonds, other than its obligation to make transfers to the Deposit Trustee as described

above. No assurance can be made that the amount of annual State Aid to the School District will not in the future drop below that of the annual debt service requirements on the Bonds.

[If the pledge of State Aid is "subordinate" to its pledge for prior Program Bonds that should be described in the Official Statement and the new bonds should not be referred to in the Official Statement or elsewhere as being in the Missouri Direct Deposit Program.]

Ratings.

[If Standard & Poor's only]

It is anticipated that Standard & Poor's Ratings Services will assign the Bonds the rating set forth on the Cover Page hereof conditioned upon the execution and delivery of the Direct Deposit Agreement described under the captioned "Security for the Bonds - Direct Deposit of State Aid Payments" hereof.

[If Moody's only)

It is anticipated that Moody's Investors Service, Inc. will assign the Bonds the rating set forth on the Cover Page hereof conditioned upon the execution and delivery of the Direct Deposit Agreement described under the caption "Security for the Bonds - Direct Deposit of State Aid Payments" hereof.

[If both Moody's and Standard & Poor's]

It is anticipated that Moody's Investors Service, Inc. and Standard & Poor's Ratings Services will assign the Bonds the ratings set forth on the Cover Page hereof conditioned upon the execution and delivery of the Direct Deposit Agreement described under the caption "Security for the Bonds - Direct Deposit of State Aid Payments" hereof.

Dated July 12, 2002

Possible Insert for School District Bond Resolution

Direct Deposit of State Aid Arrangement.

Direct Deposit Agreement. Pursuant to Chapter 360 of the RSMo (the "Deposit Law"), the District is hereby authorized to enter into the Direct Deposit Agreement (the "Deposit Agreement") among the District, the Health and Educational Facilities Authority of the State of Missouri, the Department of Elementary and Secondary Education of the state of Missouri ("DESE"), the Treasurer of the State of Missouri ("State Treasurer") and the bank serving as Direct Deposit Trustee (the "Direct Deposit Trustee") pursuant to the Deposit Agreement, in substantially the form attached to this Resolution as Exhibit A. Under the terms of the Deposit Agreement a certain portion of the District's state aid payments and distributions from the State of Missouri will be paid directly to the Direct Deposit Trustee to satisfy payments of principal and interest on the Bonds.

Pledge of State Aid. The District hereby agrees that the state aid payments and distributions to be made by the State to the District pursuant to Sections 163.011 to 163.195, RSMo, and the distributions from the fair share fund to be made by the State to the District pursuant to Section 149.015, RSMo, are hereby pledged to payment of the Bonds and may be transferred pursuant to the Deposit Agreement to satisfy payments of principal and interest on the Bonds. To the extent any portion of such state aid payments and distributions to the District are not needed to make a required payment to the Direct Deposit Trustee under the Deposit Agreement such amounts shall continue to be transferred to the District.

District to withdraw from other Funds. Nothing herein or in the Deposit Agreement shall be construed to relieve the District of its obligation to levy a debt service levy or capital projects levy sufficient to retire the Bonds. The District is authorized to withdraw amounts from any of its Funds established pursuant to Section 165.011, RSMo, to the extent such amounts could have been used to make the payments made on its behalf by the State Treasurer to the Direct Deposit Trustee pursuant to the Deposit Agreement.

Waiver of Bankruptcy Rights. The District hereby waives all powers rights and privileges conferred upon it to institute any action authorized by any act of the Congress of the United States relating to bankruptcy on the part of the District.

EXHIBIT D TO GUIDELINES

TERMINATION OF DIRECT DEPOSIT AGREEMENT

THIS TERMINATION OF DIRECT DEPOSIT AGREEMENT executed as of this _____ day of _____ 200__, by and among the OFFICE OF THE TREASURER OF THE STATE OF MISSOURI (the "Treasurer"), the DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION OF THE STATE OF MISSOURI ("DESE"), the HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI (the "Authority"), COMMERCE BANK, NATIONAL ASSOCIATION (the "Direct Deposit Trustee") and [Insert: (a) legal name of District; (b) DESE's School District Directory Name for the District (if different); and (c) DESE's County District Code for the District] _____, MISSOURI (the "School District"),

WITNESSETH

WHEREAS, pursuant to Chapter 360, R.S.Mo., and specifically Sections 360.106 and 360.111 R.S.Mo. (the "Act"), the Authority has developed a Program, and Guidelines dated July 12, 2002 (the "Guidelines") with respect thereto, involving the direct deposit of state aid payments and distributions pursuant to Sections 163.011 to 163.195, R.S.Mo. and the distributions from the fair share fund pursuant to Section 149.015, R.S.Mo., (collectively, "State Aid"), by the Treasurer to cover the debt service on general obligation bonds issued by Missouri school districts and the payment of certain costs of issuance with respect to such bonds (the "Program"); and

WHEREAS, the School District has previously issued its $_____ General Obligation _____ Bonds Series _____ (Missouri Direct Deposit Program) (the "Bonds") and the parties hereto have participated in the Program pursuant to a Direct Deposit Agreement dated as of _____, _____, (the "Direct Deposit Agreement"); and

WHEREAS, the District has either paid off the Bonds in full or provided an escrow sufficient to pay off the Bonds in full and wishes to cause the termination of the Direct Deposit Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the parties hereto hereby agree as follows:

Section 1. Representation of the District. The District hereby represents that it has either paid off the Bonds in full or provided an escrow sufficient to pay off the Bonds in full.

Section 2 Statement of Paying Agent for Bonds. Submitted herewith by the District is a statement from the Paying Agent for the Bonds stating that either the Bonds have been paid in full or an escrow has been established which is sufficient to pay off the Bonds in full.

Section 3. Termination of Direct Deposit Agreement. The Direct Deposit Agreement is hereby terminated and ended as of the date hereof. No further State Aid moneys shall be transferred to the Direct Deposit Trustee pursuant to the Direct Deposit Agreement. Any moneys held by the Direct Deposit Trustee pursuant to the Direct Deposit Agreement shall be transferred to the District.

Section 4. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Termination of Direct Deposit Agreement as of the date first above stated.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION OF THE STATE OF MISSOURI

By_____

COMMERCE BANK, NATIONAL ASSOCIATION

By_____

HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI

By_____

_____

By_____

OFFICE OF THE TREASURER OF THE STATE OF MISSOURI

By_____

U.S. Department of Education
Office of Educational Research and Improvement (OERI)
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